



State of Wisconsin

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STEPHEN R. MILLER
CHIEF

May 16, 2005

MEMORANDUM

To: Representative Schneider

From: Joseph T. Kreye, Sr. Legislative Attorney, (608) 266-2263

Subject: Technical Memorandum to **2005 AB-371** (LRB 05-1092/1)

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

MEMORANDUM

May 9, 2005

TO: Joe Kreye
Legislative Reference Bureau

FROM: Rebecca Boldt
Department of Revenue

SUBJECT: Technical Memorandum on AB 371 relating to Sales and Use Tax on Purchases Made with a Manufacturer's Rebate

It is not clear whether the exclusion under the bill would apply to a "mail-in rebate"—a rebate whereby the buyer mails a form to the manufacturer and the manufacturer, typically 6-8 weeks later, sends the buyer a check for the rebate.

According to published reports, manufacturers assume that only about one-third of buyers of items that offer a rebate will apply for the rebate. The seller (i.e., taxpayer) has no way of knowing whether a buyer will apply for and receive a mail-in rebate. Therefore, the seller would not know how much sales tax he/she owes. This would not be fair to the taxpayer. It would also be costly and unreasonable for the taxpayer to have to follow up after each sale to determine whether the buyer received a rebate.

The effective date of the bill is the 7th day after publication. The Department suggests changing the effective date to the first day of the second month beginning after publication to give the Department time to notify taxpayers of the law change.

If you have any questions regarding this technical memorandum, please contact Blair Kruger at (608) 266-1310 or bkruger@dor.state.wi.us.

cc: Rep. Schneider